

**Franchise Tax Board****ANALYSIS OF ORIGINAL BILL**

Author: Parra Analyst: Kristina E. North Bill Number: AB 1095  
Related Bills: See Legislative History Telephone: 845-6978 Introduced Date: February 23, 2007  
Attorney: Douglas Powers Sponsor: \_\_\_\_\_

**SUBJECT:** California Military Family Relief Fund/Reduce Minimum Contribution Amount to \$200,000 for 2007 Calendar Year and Thereafter

**SUMMARY**

This bill would permanently reduce the minimum contribution amount for the California Military Family Relief Fund.

**PURPOSE OF THE BILL**

According to the author's office, the purpose of this bill is to prevent California military families from losing a critical source of financial support and funding before the end of the fiscal year, as articulated in SEC. 2 of this bill.

**EFFECTIVE/OPERATIVE DATE**

As an urgency bill, this bill would be effective and operative immediately upon enactment.

**POSITION**

Pending.

**ANALYSIS****STATE LAW**

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their personal income tax (PIT) returns to any of the 14 voluntary contribution funds (VCFs) listed on the state PIT return.

**Board Position:**

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	_____ X PENDING

**Department Director****Date**

Selvi Stanislaus

03/29/07

With the following exceptions, VCFs remain on the PIT return until they are either repealed or fail to meet their minimum contribution amount.

- Except for the California Seniors Special Fund, which has no sunset date, each VCF has a specific sunset date.
- Except for the California Seniors Special Fund, the California Firefighters Memorial Fund, and the California Peace Officer Foundation Memorial Fund, each VCF must meet an initial minimum contribution amount of \$250,000.
- Except for the California Fund For Senior Citizens, each of the remaining VCF minimum contribution amounts is adjusted annually for inflation.

The annual inflation adjustment is based on the percentage change in the California Consumer Price Index. The Franchise Tax Board (FTB) is required to make the following two determinations for each VCF by September 1 of each calendar year:

1. The minimum contribution amount required for the VCF to remain on the PIT return for the following calendar year, and
2. Whether estimated contributions to the VCF will be less than the minimum contribution amount for that calendar year.

If FTB estimates that a VCF will fail to meet or exceed the minimum contribution amount for a calendar year, that VCF is repealed effective January 1st of that calendar year.

### THIS BILL

This bill would permanently reduce the California Military Family Relief Fund's minimum contribution amount from \$250,000, as indexed, to \$200,000 beginning in the 2007 calendar year by reducing the minimum contribution amount and removing the indexing provision.

In addition, this bill would remove obsolete language used to determine if the fund would remain on the 2006 PIT return.

### IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department.

### **LEGISLATIVE HISTORY**

SB 1162 (Machado, Stats. 2004, Ch. 546) established the California Military Family Relief Fund for taxpayer contribution designation on the personal income PIT return.

## PROGRAM BACKGROUND

The California Military Family Relief Fund first appeared on the 2005 PIT return. The minimum contribution amount for calendar year 2006 was \$250,000 for the California Military Family Relief Fund. The minimum contribution amount is adjusted for each subsequent calendar year based on the California Consumer Price Index. In the past two years, the fund has received the following total annual contributions:

2005	2006	2007 thru 02/07
\$282,106	\$243,977	\$40,313

The California Military Family Relief Fund needs to receive \$262,000 by December 31, 2007, to remain on the 2007 PIT return filed in 2008. The department will make its determination on September 1, 2007, whether it estimates that the fund will meet or exceed the \$262,000 to remain on the PIT return.

## FISCAL IMPACT

This bill would not significantly impact the department's costs.

## ECONOMIC IMPACT

### Revenue Estimate

This bill would not impact the state's income tax revenue.

## LEGISLATIVE STAFF CONTACT

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